

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission	:	
On Its Own Motion	:	
-vs-	:	
Central Illinois Light Company	:	
d/b/a AmerenCILCO	:	09-0077
	:	09-0078
Central Illinois Public Service Company	:	09-0079
d/b/a/ AmerenCIPS	:	(Cons.)
	:	
Illinois Power Company	:	
d/b/a/ AmerenIP	:	
	:	
Reconciliation of revenues collected	:	
under power procurement riders with	:	
actual costs associated with power	:	
procurement expenditures.	:	

PROPOSED ORDER

By the Commission:

The Illinois Commerce Commission ("Commission") entered an Order ("Initiating Order") commencing the instant reconciliation proceeding. Among other things, the Initiating Order found that Central Illinois Light Company, d/b/a AmerenCILCO ("AmerenCILCO"), Central Illinois Public Service Company, d/b/a AmerenCIPS ("AmerenCIPS"), and Illinois Power Company, d/b/a AmerenIP ("AmerenIP") (collectively the "Ameren Illinois Utilities" or "AIUs"), "shall reconcile revenue collected under each of the . . . tariffs [named therein], or under related provisions filed pursuant to the orders cited and authorizing the recovery of power supply costs for the reconciliation period [of January 2, 2007 through May 31, 2008], with costs incurred in connection with procurement activities as defined in the tariffs of each utility."

Pursuant to due notice, hearings were held in this matter before a duly authorized Administrative Law Judge of the Commission at its offices in Springfield, Illinois. Appearances were entered by respective counsel for the AIUs and the Commission Staff ("Staff"). The three proceedings were consolidated. No intervening petitions were filed. Evidence was presented by the AIUs and Staff; at the conclusion of the hearings, the record was marked "Heard and Taken." A proposed order was served on the AIUs and Staff.

Background

As explained in the Initiating Order in the current docket, the final order entered on January 24, 2006 in Docket No. 05-0160/0161/0162 (Cons.) (“Procurement Docket”) approved, with modifications, the initial series of tariffs and riders under which the AIUs would purchase electric supply through a descending clock auction (“Auction”) process, for delivery to its customers, following the January 1, 2007, expiration of the mandatory rate freeze. Among the approved tariffs for each utility was a “hub” tariff known as Rider MV. The retail charges computed in accordance with these riders applied to service provided on and after January 2, 2007; the riders required annual reconciliation proceedings, as provided for in the January 24, 2006 Order.

It is also noted in the Initiating Order that these MV tariffs were later superseded by new provisions, which the Commission approved in a final order entered on December 19, 2007, in Docket No. 07-0527. The retail charges calculated in accordance with the new tariffs became operational and are applicable to service provided on and after June 1, 2008. Rider MVA, approved in Docket 07-0527, allowed the Ameren Illinois Utilities to address market value adjustments for fixed-price customers for service provided through the end of May 2008. Rider MVA calls for a reconciliation proceeding “for the correction of any accounting errors that may have occurred in the application of this rider and the previously effective Rider MV.” Therefore, the Initiating Order finds that Rider MV and Rider MVA reconciliations shall both be considered in the present proceedings.

In the instant docket, the Initiating Order directed the AIUs “to present evidence to show the reconciliation of revenues collected under the respective tariffs with costs incurred in connection with proper procurement activities as defined in the tariffs of each utility, all as is more fully described hereinabove” for the reconciliation period of January 2, 2007, through May 31, 2008. Additionally, the AIUs were ordered to include a schedule presenting cumulative totals of incremental costs and cumulative totals of recoveries, by customer class, to the extent such information is reasonably available.

Procurements of Supply during the Reconciliation Period

AIU witness Mr. Blessing testified that during the Reconciliation Period, the AIUs separately managed three portfolios of power supply products. One was for their residential and small business customers with peak demand less than one megawatt (“MW”). The second was for large commercial and industrial customers, with peak demand of one MW or greater, who take service under fixed-priced tariffs. The third was for large commercial and industrial customers taking service under real-time priced tariffs. (Ameren Ex. 1.0 at 2)

For the residential and small business customers and the large commercial and industrial customers taking service under fixed-priced tariffs, the AIUs entered into, as a result of the Auction process, load-following Supplier Forward Contracts (“SFCs”) for full requirements, fixed-price, power and energy supply. For the residential and small

business customers, a ladder approach was used; contract terms were 17 months, 29 months and 41 months, with each term representing approximately one-third of the load. For the large business customers taking service under fixed price tariffs, supply was procured over a single term of 17 months.

Mr. Blessing stated that the for large customer real-time priced product known as "BGS-LRTP," the Commission rejected the results of the Auction. Consequently, the components of the BGS-LRTP product required to serve the large real-time priced customer load were procured elsewhere. (Ameren Ex. 1.0 at 8)

For the Reconciliation Period, Mr. Blessing testified that all energy for the BGS-LRTP customers came from either MISO energy markets, based on locational marginal prices ("LMPs") at the load zone for each of the AIUs, or from the AIUs' qualifying facility ("QF") agreements. For the period January 2, 2007 through April 11, 2007, he said that all energy procured from the MISO energy markets for customers on the BGS-LRTP tariff was procured in the MISO real-time market as required by the Commission-approved tariffs. (Ameren Ex. 1.0 at 9) The tariff was subsequently modified, effective April 12, 2007, to allow the AIUs to procure a portion of the energy from MISO day-ahead markets based on best efforts day-ahead forecasts.

Mr. Blessing also described the process by which the AIUs procured the capacity for the LRTP customers. The AIUs used requests for proposals ("RFPs"), administered by Burns and McDonnell, for solicitations greater than a month and for purchases equal to or less than one month to procure the capacity for LRTP customers. Mr. Blessing further described both the processes used for long and short-term solicitations. He also described the process used to forecast the required capacity.

According to Mr. Blessing, the purchases made during the Reconciliation Period on behalf of the BGS-LRTP customer load were made pursuant to and in compliance with the "contingency plan" included in the then-current Rider MV. (Ameren Ex. 1.0 at 14-15)

With respect to the prudence of purchases of fixed-price products, the AIUs' view is that Public Act 095-0481 nullified the Commission's order and findings regarding what is required to affirm the prudence of the AIUs' activities in procuring fixed-price products, including the purchase of the described products and payments to the suppliers per the SFCs, during the Reconciliation Period. Section 16-111.5 (l) of the Act provides, in part, "The electric utility shall also recover its full costs of procuring electric supply for which it contracted before the effective date of this Section in conjunction with the provision of full requirements service under fixed-price bundled service tariffs subsequent to December 31, 2006." It further states, "All such costs shall be deemed to have been prudently incurred."

According to the AIUs, "[N]otwithstanding the above-referenced legislation, the AIUs have done and performed all prudent acts in a manner consistent with the law, the Commission's final order in the Procurement Docket, and any related FERC and/or

Commission protocols to ensure the prudent purchase of power supply and delivery to their customers.” (AIU Sep. 24, 2010 filing at 8, 17)

Reconciliation of Costs and Revenues

Reconciliations of costs and revenues for each AIU were presented for the 17 months ending May 31, 2008, as explained by AIU witnesses Ms. Moore (Ameren Ex. 2.0) and Ms. Gudeman (Ameren Ex. 3.0). Fixed-price customers received full requirements supply obtained from Auction suppliers; for those purchases, reconciliations are shown in the BGS and LFP columns in the Appendix. For large real time pricing (“RTP”) customers, reconciliations are shown in separate columns for energy, ancillary services and capacity costs.

Staff witness Ms. Ebrey reviewed the reconciliations presented by the AIUs. (Staff Ex. 1.0) She proposed an adjustment to decrease November 2007 recoverable RTP costs associated with purchases by AmerenCILCO from Medina Valley. In rebuttal testimony, the AIUs accepted this adjustment, reducing recoverable costs by \$33,732.55. (Ameren Ex. 4.0) In response to concerns raised by Ms. Ebrey, the AIUs also made an adjustment of \$1,885,614 to reflect a revision to the pricing basis for the excess power produced by Medina Valley and purchased by AmerenCILCO for supply to its RTP customers. Ms. Ebrey also recommended adjustments for misclassified costs for AmerenCIPS; the AIUs accepted this adjustment in its rebuttal. These adjustments are reflected in the AIUs final reconciliations in Exhibits 4.1, 4.2 and 4.3. The AIUs also provided clarification with respect to other issues raised by Staff, such as collateral costs.

Thereafter, Ms. Ebrey recommended approval of the final reconciliations provided in the AIU’s rebuttal testimony as Exhibits 4.1, 4.2 and 4.3.

Breakdown of Costs and Recoveries by Customer Class

In the Initiating Order, the AIUs were also directed to “include a schedule presenting cumulative totals of incremental costs and cumulative totals of recoveries, by customer class, to the extent such information is reasonably available.”

In supplemental testimony, AIU witness Ms. Moore testified that Ameren exhibits reflect the costs and revenues by supply product. She said any detail beyond supply product (i.e., fixed price load and large RTP load) is not available because there is no further granularity associated with these costs. According to Ms. Moore, to provide any further cost data would be extremely burdensome as the data sets simply do not exist in a format that would be conducive to any further data analysis. (Ameren Ex. 5.0)

Staff witness Ms. Ebrey agreed with the AIUs that the additional level of detail presenting costs and recoveries by customer class as contemplated in the Commission's Initiating Order would not provide any information to further her analysis

in the reconciliation process. Since any detail beyond that already provided is not available, Staff has no objection to the exclusion of the more detailed information.

The Commission finds that for purposes of this proceeding, the information provided was sufficient, and that a more detailed breakdown by customer class was not reasonably available within the meaning of the Initiating Order.

Commission's Conclusions, Findings and Ordering Paragraphs

In the instant docket, the Initiating Order directed the AIUs "to present evidence to show the reconciliation of revenues collected under the respective tariffs with costs incurred in connection with proper procurement activities as defined in the tariffs of each utility, all as is more fully described hereinabove" for the reconciliation period of January 2, 2007, through May 31, 2008.

The Commission finds that for the reconciliation period of January 2, 2007 through May 31, 2008, Auction purchases of full requirements power and energy supply to serve fixed-price customer load were made in accordance with the process established in the Procurement Docket. These Auction purchases were proper procurement activities within the meaning of the Initiating Order in the instant proceeding.

Contingency purchases to serve the BGS-LRTP customer load were made pursuant to and in accordance with the contingency plan included in the then-current Rider MV. These purchases, including any contingency purchases involving discretionary actions by the AIUs within the meaning of the Order in the Procurement Docket, were proper procurement activities within the meaning of the Initiating Order in the instant proceeding.

The Commission also finds that reconciliations of procurement costs and revenues as set forth on AmerenCILCO Exhibit 4.1, AmerenCIPS Exhibit 4.2 and AmerenIP Exhibit 4.3, and as summarized in Appendices A, B and C of this Order, are accurate and are approved by the Commission. For AmerenCILCO, procurement costs were \$315,306,796 and revenues were \$319,813,454. For AmerenCIPS, procurement costs were \$679,604,140 and revenues were \$676,729,213. For AmerenIP, procurement costs were \$918,236,736 and revenues were \$909,907,211.

The Commission, having considered the entire record, is of the opinion and finds that:

- (1) during the reconciliation period, the AIUs were Illinois corporations engaged in the transmission, sale and distribution of electricity to the public in Illinois, and were public utilities as defined in Section 3-105 of the Public Utilities Act;

- (2) the Commission has jurisdiction over the parties and the subject matter of this proceeding;
- (3) the facts recited and conclusions reached in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (4) for the reconciliation period of January 2, 2007 through May 31, 2008, the reconciliation of revenues collected under the above-referenced procurement tariffs with actual costs incurred in connection with procurement activities as defined therein, as shown in AmerenCILCO Exhibit 4.1, AmerenCIPS Exhibit 4.2 and AmerenIP Exhibit 4.3 and in Appendices A, B and C of this Order, is accurate, and is hereby approved.

IT IS THEREFORE ORDERED that for the reconciliation period of January 2, 2007 through May 31, 2008, the reconciliation of revenues collected under the above-referenced procurement tariffs with actual costs incurred in connection with procurement activities as defined therein, as shown in AmerenCILCO Exhibit 4.1, AmerenCIPS Exhibit 4.2 and AmerenIP Exhibit 4.3 filed on e-Docket on June 15, 2010 and as summarized in Appendices A, B and C of this Order, is hereby approved.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.800, this Order is final; it is not subject to the Administrative Review Law.

By proposed order of the Administrative Law Judge this 23rd day of November, 2010.

Administrative Law Judge